

UNITEDSTATES SECURITIES AND EXCHANGE COMMISSION Washington, D.C. 20549

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SEC FILE NUMBER 8-35381

FACING PAGE Vashington Pto Section 17 of the Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING	MM/DD/YY		MM/DD/YY
A. REGI	STRANT IDENTIFICA	TION	
NAME OF BROKER-DEALER: BOSC, Inc	c.		OFFICIAL USE ONLY
ADDRESS OF PRINCIPAL PLACE OF BUSIN	NESS: (Do not use P.O. Box	No.)	FIRM I.D. NO.
One Williams Center, Plaza Eas	t		
	(No. and Street)		
Tulsa	OK		74172
(City)	(State)		(Zip Code)
NAME AND TELEPHONE NUMBER OF PER Karen Kreger	SON TO CONTACT IN REC	SARD TO THIS RE	PORT (405) 272+2229
			(Area Code - Telephone Number
B. ACCO	UNTANT IDENTIFICA	TION	
INDEPENDENT PUBLIC ACCOUNTANT wh Ernst & Young LLP (1)	ose opinion is contained in th		
One Williams Center, Suite 170 (Address)	O Tulsa	OK (State)	74172 (Zip Code)
CHECK ONE:			
☐ Certified Public Accountant			PROCESSED
☐ Public Accountant		C)	MAR 1 0 2009
☐ Accountant not resident in Unite	d States or any of its possessi		
	OR OFFICIAL USE ONL	Y	HOMSON REUTERS

*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)



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OATH OR AFFIRMATION

Ι, _	Karen Kreger				, swe	ar (or affirm) that, to the best of
my	knowledge and belief the accompanying financial sta	tem	ient an	d supportin	schedules	s pertaining to the firm of
	BOSC, Inc.		•		-	, as
of		20	08	are true	and correct	. I further swear (or affirm) that
	ther the company nor any partner, proprietor, principa	alo ola	fficer	or director l	as any pro	prietary interest in any account
			111001	or uncetor i	ias any pro	prictary interest in any account
cia	ssified solely as that of a customer, except as follows:					
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					Signat	ure /
			Fi	inancial	and One	rations Principal
			- 1	LIMICIAL		
	\mathcal{L}				Title	e e e e e e e e e e e e e e e e e e e
	Him of Mate					
<u> </u>	Notary Public			- T-	Not	ary Public
	Notary 1 done			AND 1	📐 State 🤇	of Oklahoma
Thi	s report ** contains (check all applicable boxes):				LISA	R. GATES AIN COUNTY
	(a) Facing Page.			West Co. 5	OMMIS	SION #02008209
	(b) Statement of Financial Condition.				Comm. E	xp. 06-10-2010
	(c) Statement of Income (Loss).					
X	(d) Statement of Changes in Financial Condition.					
X	(e) Statement of Changes in Stockholders' Equity or	Pa	rtners'	or Sole Pro	prietors' C	Capital.
	(f) Statement of Changes in Liabilities Subordinated	to	Claim	s of Credito	rs.	
	(g) Computation of Net Capital.					
X	(h) Computation for Determination of Reserve Requi					
	(i) Information Relating to the Possession or Contro					
	(j) A Reconciliation, including appropriate explanation					
	Computation for Determination of the Reserve Re					
	(k) A Reconciliation between the audited and unaudi	ted	Staten	nents of Fin	ancial Con	dition with respect to methods of
	consolidation.					
	(I) An Oath or Affirmation.					
_	(m) A copy of the SIPC Supplemental Report.	_				
╛	(n) A report describing any material inadequacies foun	nd to	exist	or found to l	ave existed	d since the date of the previous audit.
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- 7	or conditions of confidential treatment of certain port	ion.	s oj ini	is juing, see	section 24	· <i>v. i / u- ɔ(ɐʃ(ɔ).</i> ·
	See No.					
	10 Marie 1980 Paris 19					

FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

BOSC, Inc. Year Ended December 31, 2008 With Report and Supplementary Report of Independent Registered Public Accounting Firm

Financial Statements and Supplemental Information

Year Ended December 31, 2008

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors BOSC, Inc.

We have audited the accompanying statement of financial condition of BOSC, Inc. (the "Company") as of December 31, 2008, and the related statements of income, changes in stockholders' equity, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of BOSC, Inc. at December 31, 2008, and the results of its operations and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedules I, II, III and IV is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by rule 17a-5 under the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Ernst + Young LLP

February 24, 2009

Statement of Financial Condition

December 31, 2008

Assets		
Cash	\$	383,638
Cash and cash equivalents, customer reserve accounts		456,044
Receivable from broker/dealers and clearing organizations		17,399,257
Commissions receivable from broker/dealer		2,472,016
Receivable from an affiliate		212,072
Interest receivable		211,631
Prepaid expenses		149,775
Trading assets, at fair value		12,971,962
Furniture, fixtures, software, and equipment, at cost,		
less accumulated depreciation of \$1,121,426		184,913
Notes receivable from employees		742,500
Federal income taxes receivable from an affiliate		199,777
Deferred tax asset		1,054,301
Security deposits		100,000
Margin deposits		500,000
Total assets	\$	37,037,886
Liabilities and stockholder's equity		
Accrued operating expenses	\$	4,221,283
Notes payable to affiliate	•	5,194,415
Payable to broker/dealers and clearing organizations		4,187,023
State income taxes payable to affiliate		182,141
Total liabilities		13,784,862
Stockholder's equity:		
Common stock, \$10 par value – authorized and issued 2,500 shares		25,000
Additional paid-in capital		20,396,593
Retained earnings		2,831,431
Total stockholder's equity		23,253,024
- ·		37,037,886
Total liabilities and stockholder's equity	<u> </u>	27,037,000

Statement of Income

Year Ended December 31, 2008

Trading gains and losses, net \$ 21,524,414 Brokerage fees and commissions 20,615,232 Investment banking fees and commissions 3,614,652 Interest income 801,303 Other revenue 15,753 Total operating revenues 46,571,354 Expenses: 1 Interest 115,993 Personnel expense 28,876,214 Business promotion 1,342,845 Clearance fees 1,008,522 Data processing 812,580 Professional fees 712,989 Administrative expense 483,965 Occupancy costs 190,101 Communication costs 25,862 Equipment rental 1,069,758 Depreciation and amortization 87,992 Recruiting expenses 54,700 Miscellaneous, insurance and license expense 629,722 Affiliate allocated expenses 5,326,016 Total operating expenses 40,737,259 Net income before income tax provision 5,834,095 Income tax provision 2,111,860	Revenues:	
Brokerage fees and commissions 20,615,232 Investment banking fees and commissions 3,614,652 Interest income 801,303 Other revenue 15,753 Total operating revenues 46,571,354 Expenses: 115,993 Interest 115,993 Personnel expense 28,876,214 Business promotion 1,342,845 Clearance fees 1,008,522 Data processing 812,580 Professional fees 712,989 Administrative expense 483,965 Occupancy costs 190,101 Communication costs 25,862 Equipment rental 1,069,758 Depreciation and amortization 87,992 Recruiting expenses 54,700 Miscellaneous, insurance and license expense 629,722 Affiliate allocated expenses 5,326,016 Total operating expenses 40,737,259 Net income before income tax provision 5,834,095 Income tax provision 2,111,860	Trading gains and losses, net	\$ 21,524,414
Interest income 801,303 Other revenue 15,753 Total operating revenues 46,571,354 Expenses: 115,993 Interest 115,993 Personnel expense 28,876,214 Business promotion 1,342,845 Clearance fees 1,008,522 Data processing 812,580 Professional fees 712,989 Administrative expense 483,965 Occupancy costs 190,101 Communication costs 25,862 Equipment rental 1,069,758 Depreciation and amortization 87,992 Recruiting expenses 54,700 Miscellaneous, insurance and license expense 629,722 Affiliate allocated expenses 5,326,016 Total operating expenses 40,737,259 Net income before income tax provision 5,834,095 Income tax provision 2,111,860		20,615,232
Interest income 801,303 Other revenue 15,753 Total operating revenues 46,571,354 Expenses: 115,993 Personnel expense 28,876,214 Business promotion 1,342,845 Clearance fees 1,008,522 Data processing 812,580 Professional fees 712,989 Administrative expense 483,965 Occupancy costs 190,101 Communication costs 25,862 Equipment rental 1,069,758 Depreciation and amortization 87,992 Recruiting expenses 54,700 Miscellaneous, insurance and license expense 629,722 Affiliate allocated expenses 5,326,016 Total operating expenses 40,737,259 Net income before income tax provision 5,834,095 Income tax provision 2,111,860	Investment banking fees and commissions	3,614,652
Total operating revenues 46,571,354 Expenses: 115,993 Personnel expense 28,876,214 Business promotion 1,342,845 Clearance fees 1,008,522 Data processing 812,580 Professional fees 712,989 Administrative expense 483,965 Occupancy costs 190,101 Communication costs 25,862 Equipment rental 1,069,758 Depreciation and amortization 87,992 Recruiting expenses 54,700 Miscellaneous, insurance and license expense 629,722 Affiliate allocated expenses 5,326,016 Total operating expenses 40,737,259 Net income before income tax provision 5,834,095 Income tax provision 2,111,860	Interest income	801,303
Expenses: 115,993 Personnel expense 28,876,214 Business promotion 1,342,845 Clearance fees 1,008,522 Data processing 812,580 Professional fees 712,989 Administrative expense 483,965 Occupancy costs 190,101 Communication costs 25,862 Equipment rental 1,069,758 Depreciation and amortization 87,992 Recruiting expenses 54,700 Miscellaneous, insurance and license expense 629,722 Affiliate allocated expenses 5,326,016 Total operating expenses 40,737,259 Net income before income tax provision 5,834,095 Income tax provision 2,111,860	Other revenue	15,753
Interest 115,993 Personnel expense 28,876,214 Business promotion 1,342,845 Clearance fees 1,008,522 Data processing 812,580 Professional fees 712,989 Administrative expense 483,965 Occupancy costs 190,101 Communication costs 25,862 Equipment rental 1,069,758 Depreciation and amortization 87,992 Recruiting expenses 54,700 Miscellaneous, insurance and license expense 629,722 Affiliate allocated expenses 5,326,016 Total operating expenses 40,737,259 Net income before income tax provision 5,834,095 Income tax provision 2,111,860	Total operating revenues	46,571,354
Personnel expense 28,876,214 Business promotion 1,342,845 Clearance fees 1,008,522 Data processing 812,580 Professional fees 712,989 Administrative expense 483,965 Occupancy costs 190,101 Communication costs 25,862 Equipment rental 1,069,758 Depreciation and amortization 87,992 Recruiting expenses 54,700 Miscellaneous, insurance and license expense 629,722 Affiliate allocated expenses 5,326,016 Total operating expenses 40,737,259 Net income before income tax provision 5,834,095 Income tax provision 2,111,860	Expenses:	
Business promotion 1,342,845 Clearance fees 1,008,522 Data processing 812,580 Professional fees 712,989 Administrative expense 483,965 Occupancy costs 190,101 Communication costs 25,862 Equipment rental 1,069,758 Depreciation and amortization 87,992 Recruiting expenses 54,700 Miscellaneous, insurance and license expense 629,722 Affiliate allocated expenses 5,326,016 Total operating expenses 40,737,259 Net income before income tax provision 5,834,095 Income tax provision 2,111,860	Interest	115,993
Clearance fees 1,008,522 Data processing 812,580 Professional fees 712,989 Administrative expense 483,965 Occupancy costs 190,101 Communication costs 25,862 Equipment rental 1,069,758 Depreciation and amortization 87,992 Recruiting expenses 54,700 Miscellaneous, insurance and license expense 629,722 Affiliate allocated expenses 5,326,016 Total operating expenses 40,737,259 Net income before income tax provision 5,834,095 Income tax provision 2,111,860	Personnel expense	28,876,214
Data processing 812,580 Professional fees 712,989 Administrative expense 483,965 Occupancy costs 190,101 Communication costs 25,862 Equipment rental 1,069,758 Depreciation and amortization 87,992 Recruiting expenses 54,700 Miscellaneous, insurance and license expense 629,722 Affiliate allocated expenses 5,326,016 Total operating expenses 40,737,259 Net income before income tax provision 5,834,095 Income tax provision 2,111,860	Business promotion	1,342,845
Professional fees 712,989 Administrative expense 483,965 Occupancy costs 190,101 Communication costs 25,862 Equipment rental 1,069,758 Depreciation and amortization 87,992 Recruiting expenses 54,700 Miscellaneous, insurance and license expense 629,722 Affiliate allocated expenses 5,326,016 Total operating expenses 40,737,259 Net income before income tax provision 5,834,095 Income tax provision 2,111,860	Clearance fees	1,008,522
Administrative expense 483,965 Occupancy costs 190,101 Communication costs 25,862 Equipment rental 1,069,758 Depreciation and amortization 87,992 Recruiting expenses 54,700 Miscellaneous, insurance and license expense 629,722 Affiliate allocated expenses 5,326,016 Total operating expenses 40,737,259 Net income before income tax provision 5,834,095 Income tax provision 2,111,860	Data processing	812,580
Occupancy costs190,101Communication costs25,862Equipment rental1,069,758Depreciation and amortization87,992Recruiting expenses54,700Miscellaneous, insurance and license expense629,722Affiliate allocated expenses5,326,016Total operating expenses40,737,259Net income before income tax provision5,834,095Income tax provision2,111,860	Professional fees	712,989
Communication costs 25,862 Equipment rental 1,069,758 Depreciation and amortization 87,992 Recruiting expenses 54,700 Miscellaneous, insurance and license expense 629,722 Affiliate allocated expenses 5,326,016 Total operating expenses 40,737,259 Net income before income tax provision 5,834,095 Income tax provision 2,111,860	Administrative expense	483,965
Equipment rental 1,069,758 Depreciation and amortization 87,992 Recruiting expenses 54,700 Miscellaneous, insurance and license expense 629,722 Affiliate allocated expenses 5,326,016 Total operating expenses 40,737,259 Net income before income tax provision 5,834,095 Income tax provision 2,111,860	Occupancy costs	190,101
Depreciation and amortization Recruiting expenses S4,700 Miscellaneous, insurance and license expense Affiliate allocated expenses Total operating expenses Net income before income tax provision Income tax provision 87,992 629,722 629,722 640,737,259 5,326,016 640,737,259 5,834,095 65,834,095 66,016 67,01	Communication costs	25,862
Recruiting expenses 54,700 Miscellaneous, insurance and license expense 629,722 Affiliate allocated expenses 5,326,016 Total operating expenses 40,737,259 Net income before income tax provision 5,834,095 Income tax provision 2,111,860	Equipment rental	1,069,758
Miscellaneous, insurance and license expense Affiliate allocated expenses 5,326,016 Total operating expenses 40,737,259 Net income before income tax provision Income tax provision 5,834,095 2,111,860	Depreciation and amortization	87,992
Affiliate allocated expenses 5,326,016 Total operating expenses 40,737,259 Net income before income tax provision 5,834,095 Income tax provision 2,111,860	Recruiting expenses	54,700
Total operating expenses 40,737,259 Net income before income tax provision 5,834,095 Income tax provision 2,111,860	Miscellaneous, insurance and license expense	629,722
Net income before income tax provision 5,834,095 Income tax provision 2,111,860	Affiliate allocated expenses	5,326,016
Income tax provision 2,111,860	Total operating expenses	40,737,259
Income tax provision 2,111,860	Net income before income tax provision	5,834,095
Net income \$ 3,722,235	Income tax provision	2,111,860
	Net income	\$ 3,722,235

BOSC, Inc.

Statement of Changes in Stockholder's Equity

Year Ended December 31, 2008

	Comm	on Stock	Additional Paid-In	Retained	
	Shares	Par Value	Capital	Earnings	Total
Balance at January 1, 2008 Net income Capital infusion by parent	2,500 -	\$ 25,000 -	\$ 17,260,568	\$ (890,804) 3,722,235	\$ 16,394,764 3,722,235
company Capital provided by stock-	_	_	3,000,000	_	3,000,000
based compensation Tax benefit on exercise of	. –	_	108,088	-	108,088
stock options		-	27,937		27,937
Balance at December 31, 2008	2,500	\$ 25,000	\$ 20,396,593	\$ 2,831,431	\$ 23,253,024

Statement of Cash Flows

Year Ended December 31, 2008

Operating activities		
Net income	\$	3,722,235
Adjustments to reconcile net income to net cash used by operating activities:		
Depreciation and amortization		87,992
Tax benefit on exercise of stock options		(27,937)
Stock-based compensation		108,088
(Increase) decrease in operating assets:		ŕ
Cash and cash equivalents, customer reserve accounts		(5,546)
Receivable from broker/dealers and clearing organizations		(1,742,531)
Commissions receivable from broker/dealer		(706,712)
Receivable from affiliate		(212,072)
Interest receivable		(161,316)
Prepaid expenses		(14,431)
Income taxes receivable from affiliate		(171,840)
Trading assets, at fair value		(2,676,188)
Notes receivable from employees		360,417
Derivative contracts		70,000
Deferred tax asset		(516,214)
Margin deposits		1,500,000
Increase (decrease) in operating liabilities:		1,500,000
Accrued operating expenses		1,150,874
Payable to affiliate		(2,623,819)
Notes payable to affiliate		(3,734,558)
Payable to broker/dealers and clearing organizations		(117,803)
Income taxes payable to affiliate		
Derivative contracts		(273,384)
		(67,813)
Net cash used by operating activities		(6,052,558)
Investing activities		
Purchases of furniture, fixtures, and equipment		(53,127)
Disposal of furniture, fixture, and equipment, net		43,296
Net cash used by investing activities		(9,831)
Financing activities		
Capital infusion by parent company		2 000 000
Tax benefit on exercise of options		3,000,000
Net cash provided by financing activities		27,937
Net cash provided by imancing activities		3,027,937
Net decrease in cash and cash equivalents		(3,034,452)
Cash and cash equivalents at beginning of year		3,418,090
Cash at end of year	\$	383,638
Supplemental disclosure of cash flow information		
Cash paid for interest	¢.	116 002
•	\$	115,993
Cash paid for taxes	_\$	3,090,823

Notes to Financial Statements

December 31, 2008

1. Organization and Description of Business

BOSC, Inc. ("BOSC" or "the Company"), a wholly-owned subsidiary of BOK Financial Corporation ("BOKF"), is a registered investment adviser with the Securities and Exchange Commission ("SEC") under the Investment Advisers Act of 1940. BOSC is registered as a broker/dealer with the SEC under the Securities Exchange Act of 1934 ("the Act") and is a member of the Financial Industry Regulatory Authority ("FINRA"). BOSC is a general securities broker/dealer, clearing all transactions on a fully disclosed basis through its clearing firms. BOSC is also registered as a broker/dealer in and is regulated by all fifty states and exercises authority under Section 4(k) of the Bank Holding Company Act.

BOSC is a full-service securities firm which engages in investment banking, trading & underwriting, and retail & institutional securities sales. BOSC offers mutual funds, unit investment trusts, variable annuities, fixed income securities, equity securities and financial advisory services. Financial consultants use a network of branch offices located primarily within BOKF affiliated banks in Oklahoma, Texas, Arkansas, New Mexico, Kansas, Colorado, and Arizona. As a bank affiliated broker/dealer, BOSC is required to disclose to clients and potential clients its relationship with BOKF and that investments (1) are not insured by the Federal Deposit Insurance Corporation ("FDIC"), (2) are not deposits or other obligations of and are not guaranteed by any bank or bank affiliate and (3) are subject to risks, including possible loss of principal invested.

BOSC does not maintain custody of customer funds and securities. While BOSC is a clearing broker/dealer, it currently uses two clearing broker/dealer firms—Pershing, LLC ("Pershing"), a wholly-owned subsidiary of Bank of New York Mellon; and Bank of Oklahoma, N.A. ("BOK"), a wholly-owned subsidiary of BOKF—for custody of customer funds and securities. BOSC's retail securities transactions are executed and customer accounts are carried on a fully disclosed basis with Pershing. Fixed income trades are cleared through BOK on a fully disclosed clearing basis.

2. Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Management believes that the estimates utilized in preparing the financial statements are reasonable and prudent. Actual results could differ from those estimates.

Notes to Financial Statements (continued)

2. Significant Accounting Policies (continued)

Cash

Cash as of December 31, 2008 includes \$383,052 on deposit with BOK and excludes customer reserve accounts.

Cash and Cash Equivalents, Customer Reserve Accounts

As required by Rule 15c3-3 of the Act, BOSC segregates assets into special customer reserve accounts. As of December 31, 2008, these assets totaling \$456,044 consisted of \$156,209 in cash on deposit with BOK and cash equivalents of \$299,835 invested in a U.S. Treasury bill. BOSC considers all short-term, highly liquid investments with an original maturity when acquired of 90 days or less to be cash equivalents. See Note 7, Financial Instruments, for further discussion on financial instrument valuation.

Depreciation and Amortization

Depreciation and amortization is computed on a straight-line basis over the estimated useful lives of the assets. The majority of the assets are software and furniture, the estimated useful lives of which range from three to ten years.

Receivable from or Payable to Broker/Dealers and Clearing Organizations

Securities transactions are recorded on the trade date, as if they had settled. Trading gains and losses arising from securities transactions entered into for the account and risk of BOSC are recorded on the trade date basis. Receivable from broker/dealers and clearing organizations includes underwriting good faith deposits and sold securities not delivered on settlement date. Payable to broker/dealers and clearing organizations includes purchased securities not received on settlement date.

Amounts receivable and payable for securities transactions that have not reached their contractual settlement date are recorded net on the statement of financial condition.

Notes to Financial Statements (continued)

2. Significant Accounting Policies (continued)

Commissions Receivable from Broker/Dealer

BOSC has receivables related to commissions earned from the sales of investment and insurance products. BOSC may reserve for uncollectible accounts based on an aging analysis and estimated collectibility of those receivables. Amounts not collected after 90 days are generally written off.

Notes Payable to Affiliate

BOSC has two revolving lines of credit with BOK of \$30 million and \$50 million. As of December 31, 2008, \$5,194,415 was drawn on the \$30 million line of credit. There was no amount drawn on the \$50 million line of credit. Any outstanding amounts under the \$30 million line are fully collateralized by qualifying securities, which are included in trading assets. Any outstanding amounts under the \$50 million line must be fully collateralized by U.S. Treasuries. For both lines, interest is based on the 30-day LIBOR rate plus 0.95% and is paid monthly. Both lines mature on November 30, 2009. It is anticipated both lines will be renewed with substantially the same terms.

There were no subordinated borrowings during 2008.

Other Borrowings

BOSC has the ability to borrow funds from the Bank of New York Mellon using a day loan bearing an interest rate of 1% to facilitate funding of investment banking activities. The amount able to be borrowed is undefined and is determined by the investment banking activity being underwritten. Any outstanding amounts under this day loan are collateralized by the securities being underwritten and held by BOSC. No amount was outstanding at December 31, 2008.

Trading Assets

Trading assets, which are acquired for profit through resale, are carried at fair value with unrealized gains and losses included in current period earnings. Under the provisions of Statement of Financial Accounting Standard No. 157, "Fair Value Measurement" ("FAS No. 157"), the fair values of trading assets are based on quoted market prices or a third-party pricing service, when available, or other significant observable inputs. See Note 7, Financial Instruments, for further discussion on financial instrument valuation. Realized gains and losses on sales of securities are based upon the cost of the specific security sold. The purchase or sale of securities is recognized on a trade date basis. See "Receivable from or Payable to Broker/Dealers and Clearing Organizations" above for further discussion.

Notes to Financial Statements (continued)

2. Significant Accounting Policies (continued)

Derivative Contracts

BOSC periodically acts as principal on the purchase and sale of certain forward contracts. The contracts are reflected at their fair value, with the unrealized gain reflected in earnings. There were no outstanding contracts as of December 31, 2008.

Revenue Recognition

BOSC receives a percentage of commissions that the clearing broker/dealer charges its customers, as described in the clearing contract. The agreement with Pershing requires BOSC to indemnify it for uncollected amounts relating to customers introduced by BOSC. See Note 8, Commitments and Contingencies, for more information about the indemnification.

Fees and commissions earned for security trades are recorded on a trade-date basis.

Commissions on sales of annuities and insurance products are recorded when the contracts are accepted by the insurance companies.

Investment banking fees and commissions include gains, losses and underwriting fees, net of syndicate expenses, arising from securities in which BOSC acts as underwriter. Investment banking revenues also include fees earned from providing financial advisory services and structured financing services. Revenue is recognized at the time the underwriting or service is complete and the income is reasonably determinable.

Income Taxes

BOSC is included in the consolidated income tax return filed by the parent, BOKF. Pursuant to a tax sharing agreement between BOSC and BOKF, income taxes are allocated to BOSC on a separate return basis. The amount of current income tax expense or benefit is either remitted to or received from BOKF.

Notes to Financial Statements (continued)

2. Significant Accounting Policies (continued)

Notes Receivable from Employees

BOSC grants loans to certain employees as part of their compensation package. The loans are for periods up to six years and, unless forgiven, require annual payments of principal and interest. Interest is based on the prime rate. The annual principal and interest due may be forgiven if the employee meets certain performance criteria. The outstanding loan balances are reduced and compensation expense is recognized as employees meet performance criteria and principal and interest are forgiven.

3. Net Capital Requirements

BOSC is subject to the SEC Uniform Net Capital Rule ("SEC Rule 15c3-1"), which requires the maintenance of minimum net capital, as therein defined, and requires that the ratio of aggregate indebtedness, defined as total money liabilities of a broker/dealer arising in connection with any transaction subject to certain exclusions, to net capital, shall not exceed fifteen to one.

At December 31, 2008, BOSC's net capital position was as follows:

Net capital	\$ 12,137,465
Net capital required	723,948
Excess capital	\$ 11,413,517
	
Net capital ratio	89%

BOSC does not maintain custody of customer funds and securities. While it is a fully disclosed clearing broker/dealer, it uses two clearing firms for custody of customer funds and securities.

4. Security Deposits

Security deposits of \$100,000 as of December 31, 2008, consist of cash on deposit with Pershing for the purpose of maintaining a fully disclosed clearing arrangement.

Notes to Financial Statements (continued)

5. Margin Deposits

Margin deposits of \$500,000 as of December 31, 2008, consist of cash on deposit against margin with Pershing in the firm preferred stock trading account. BOSC buys and holds preferred stock in a Pershing firm account for the purpose of selling to BOSC customers. The preferred stock is held on margin and as such requires a 50% deposit against the margin balance. The unused portion of the margin balance at Pershing does not currently earn interest.

6. Related Party Transactions

In compliance with applicable regulations, BOSC may provide broker/dealer services for certain executive officers, directors and affiliates of BOKF (collectively referred to as "related parties"). Transactions with related parties are conducted in the ordinary course of business under substantially the same terms as comparable third-party broker/dealer arrangements.

Receivable from an affiliate is the net receivable due from BOK through intercompany settlement of certain operating expenses. BOSC operating expenses are paid to third parties by BOK. BOSC's financial obligations are guaranteed by a pledge of cash collateral by BOKF.

In 2008, BOSC incurred \$5,326,016 of general and administrative expenses allocated to BOSC by, and reimbursable to, BOK. Of this, management fees were \$2,795,892, occupancy costs were \$765,181, communication costs were \$351,528 and other expenses were \$1,413,415.

BOSC is the Distributor of Funds for Cavanal Hill Funds. Cavanal Hill Investment Management, Inc. (formerly AXIA Investment Management Inc.) serves as the Investment Advisor for Cavanal Hill Funds and is a subsidiary of BOK. BOSC earned \$20,795 in fees for serving as Distributor as well as a dealer of the Cavanal Hill Funds.

Notes to Financial Statements (continued)

7. Financial Instruments

Fair value measurements that are measured on a recurring basis as of December 31, 2008, are as follows:

		Total	in Ma Id	ed Prices Active rket for entical ruments	Significant Other Observable Inputs
Assets U.S. Treasury bill (1)	\$	299,835	\$	299,835	-
Trading assets: U.S. Treasuries Obligations of the U.S. Government or		15,234		15,234	
Agencies State and municipal obligations		37,920 5,098,369			\$ 37,920 5,098,369
Other corporate obligations Trading assets, total	\$ 1	7,820,439 2,971,962	- -	65,208	7,755,231

(1) Included as Cash and Cash Equivalents, Customer Reserve Accounts, as disclosed in Note 2.

Under the provisions of FAS No. 157, the fair value of assets and liabilities based on significant other observable inputs are generally provided to us by third-party pricing services and are based on one or more of the following:

- Quoted prices for similar, but not identical, assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable, such as interest rate and yield curves, volatilities, prepayment speeds, loss severities, credit risks and default rates;
- Other inputs derived from or corroborated by observable market inputs.

The underlying methods used by the third-party pricing services are considered in determining the primary inputs used to determine fair values.

Notes to Financial Statements (continued)

7. Financial Instruments (continued)

The corporate obligation valued using significant other observable inputs is that of a single issuer. The fair value was determined by reference to unsecured publicly traded debt of the issuer as adjusted for collateral and timing of cash flows of the obligation.

BOSC is engaged in various trading and brokerage activities in which counterparties primarily include broker-dealers, banks, and other financial institutions. In the event counterparties do not fulfill their obligations, BOSC may be exposed to risk. The risk of default depends on the creditworthiness of the counterparty or issuer of the instrument. It is BOSC's policy to review, as necessary, the credit standing of each counterparty.

8. Commitments and Contingencies

BOSC is an introducing broker to Pershing for equity investment transactions. As such, it has indemnified Pershing against potential losses due to a customer's failure to settle a transaction or to repay a margin loan. Equity transactions are settled within three business days of trade date. Margin loans are due on demand. All unsettled transactions are collateralized by the security being purchased. Margin loans are secured as required by the Board of Governors of the Federal Reserve Regulation T, Credit by Brokers and Dealers. The Company applies the provisions of the Financial Accounting Standards Board's Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others", which provides accounting and disclosure requirements for certain guarantees. At December 31, 2008, the total amount of customer balances subject to indemnification was approximately \$1,474,138. In accordance with applicable margin lending practices, customer balances are typically collateralized by customer securities or supported by other types of recourse provisions. The fair value of the guarantee is not significant and no amount was recorded on BOSC's statement of financial condition to reflect this contingent liability based on an assessment of probable loss.

In the ordinary course of business, BOSC is subject to legal actions and complaints. Management has appropriately reserved, based upon the opinion of counsel, for any liability or loss, resulting from the final outcome of any such actions and complaints.

Notes to Financial Statements (continued)

9. Income Taxes

Deferred income taxes reflect the net tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The significant components of deferred income taxes principally relate to depreciation and amortization, stock based compensation, accrued liabilities and prepaid expenses. The reconciliation of the income tax provision computed at the U.S. federal statutory tax rate to the effective income tax expense (benefit), for the year ended December 31, 2008, was as follows:

	<u>Amount</u>	Percent
Tax expense at U.S. statutory rate State income tax, net of federal tax expense Tax exempt revenue Meals and entertainment	\$ 2,041,933 230,035 (203,796) 49,292	35% 4% (4)% 1%
Other	(5,604)	0%
Total income tax expense	\$ 2,111,860	36%

Significant components of the income tax provision for the year ended December 31, 2008, were as follows:

Current:	
Federal	\$ 2,172,436
State	<u>377,506</u>
Total current	2,549,942
Deferred:	(201151)
Federal	(394,161)
State	(43,921)
Total deferred	(438,082)
Total income tax expense	\$ 2,111,860

Based on the provisions of Financial Accounting Standards Board Interpretation No. 48, "Accounting for Uncertainty in Income Taxes", at December 31, 2008, there were no unrecognized tax benefits.

Federal statute remains open for federal tax returns filed in the previous three reporting periods. Various state income tax statutes remain open for the previous three to six reporting periods.

Notes to Financial Statements (continued)

10. Employee Benefits

BOSC employees who satisfy certain age and service requirements participate in BOKF's defined-benefit cash balance pension plan. Effective April 1, 2006, accruals for service under the pension plan were curtailed. Interest continues to accrue on employees' account balances at 5.25%. Plan assets consist primarily of shares in the Cavanal Hill Balanced Fund. The typical portfolio mix of this fund is approximately 60% equities and 40% bonds. There were no employer contributions to the plan during 2008. At December 31, 2008, the projected benefit obligation exceeded the fair value of plan assets by \$3,798,451. Plan assets are not segregated or restricted to provide benefits solely to BOSC employees. Projected benefit obligation of the plan, which equals accumulated benefit obligations, is not separately determined for BOSC employees.

BOSC employees who satisfy certain service requirements may participate in BOKF's defined-contribution thrift plan. Employee contributions are matched by the Company up to 6% of base pay. Additionally, a maximum employer-provided non-elective contribution of \$750 is made for employees whose annual base compensation is less than \$40,000. The employer's matching contribution is based on years of service and vests over five years. Participants may direct their investments to a variety of options, including a BOK Financial common stock fund.

BOSC incurred total expenses of \$2,213,249 from these plans in 2008.

BOSC's employees may also be awarded stock-based compensation through BOKF's employee stock option plan. Grant date fair value of stock options is based on the Black-Scholes option pricing model. Compensation cost is recognized as expense over the applicable service period. BOKF recognized stock-based compensation expense of \$6,876,147, including \$108,088 that was allocated to BOSC and was included in personnel expense.

Supplemental Information

Computation of Net Capital Pursuant to Rule 15c3-1

Net capital		
Stockholder's equity	\$	23,253,024
Deduct ownership equity not allowable for net capital		_
Total ownership equity qualified for net capital		23,253,024
Nonallowable assets:		
Prepaid expenses		149,775
Notes receivable		742,500
Commissions receivable		667,438
Trading asset		7,755,231
Fixed assets		184,913
Income taxes receivable		199,777
Deferred tax asset		1,054,301
Other assets		55,439
Total non-allowable assets		10,809,374
Aged fail-to-deliver deduction		46,885
Net capital before haircuts		12,396,765
Haircuts on securities		259,300
Net capital	\$	12,137,465
Computation of basic net capital requirement		
Minimum net capital required (1/15 of aggregate indebtedness)	\$	723,948
Minimum dollar net capital requirement	\$	250,000
Net capital requirement	\$	723,948
Excess net capital	\$	11,413,517
Computation of aggregate indebtedness		
Total aggregate indebtedness	\$	10,859,223
Deduct adjustment based on deposits in Special Reserve Bank Accounts (15c3-1(c)(1)(vii))	•	_
Total aggregate indebtedness	\$	10,859,223
Percentage of aggregate indebtedness to net capital		89%

Computation of Net Capital Pursuant to Rule 15c3-1 (continued)

Net capital, as reported in Company's Part II (unaudited) FOCUS report	\$ 12,220,168
Post-closing adjustments	(82,703)
Net capital per above	\$ 12,137,465
Total aggregate indebtedness liabilities, as reported in Company's Part II	
(unaudited) FOCUS report	\$ 10,776,520
Post-closing adjustments	82,703
Total aggregate indebtedness per above	\$ 10,859,223

Computation for Determination of Reserve Requirements Under Rule 15c3-3 of the Securities and Exchange Commission

Credit balances:		
Free credit balances and other credit balances in customers' security accounts	\$	406,171
Monies borrowed collateralized by securities carried for the accounts of		
customers		<u></u>
Monies payable against customers' securities loaned		
Customers' securities failed to receive		659,036
Credit balances in firm accounts that are attributable to principal sales to customers		
Market value of short security count differences over 30 calendar days old		_
Market value of short security count differences over 50 calcidat days old Market value of short securities and credits in all suspense accounts over 7		_
business days		_
Other		
Total credits	<u> </u>	1.065.207
Total credits	\$	1,065,207
Debit balances:		
Debit balances in customers' accounts	\$	858,470
Securities borrowed to effectuate short sales by customers and securities		, , , , ,
borrowed to make delivery on customers' securities failed to deliver		
Failed to deliver of customers' securities not older than 30 calendar days		203,583
Total debits		1,062,053
Excess of total credits over total debits	\$	3,154
The second desire and the second	<u>Ψ</u>	5,154

Computation for Determination of Reserve Requirements Under Rule 15c3-3 of the Securities and Exchange Commission (continued)

Year Ended December 31, 2008

Reserve computation – 105% of excess of total credits over total debits

\$ 3,311

Amount on deposit

\$ 456,044

There are no material differences between the Company's computation included in this report and the corresponding schedule included in the Company's unaudited December 31, 2008, Part II FOCUS report.

Note: BOSC does not maintain custody of customer funds and securities. While it is a fully clearing broker/dealer, it currently uses two clearing broker/dealer firms—Pershing and BOK—for custody of customer funds and securities.

Information Relating to Possession or Control Requirements Under Rule 15c3-3 of the Securities and Exchange Commission

Year Ended December 31, 2008

1.	Customers' fully paid and excess margin securities not in the respondent's possession or control as of the report date (for which instructions to reduce to possession or control had been issued as of the report date but for which the required action was not taken by respondent within the time frames	
	specified under rule 15c3-3)	\$ _
	A. Number of items	
2.	Customers' fully paid securities and excess margin securities for which instructions to reduce to possession or control had not been issued as of the report date, excluding items arising from "temporary lags which result from	
	normal business operations" as permitted under rule 15c3-3	\$
	A. Number of items	 _
and	e are no material differences between the Company's computation included the corresponding schedule included in the Company's unaudited Decen II FOCUS report.	-

Note: BOSC does not maintain custody of customer funds and securities. While it is a fully clearing broker/dealer, it currently uses two clearing broker/dealer firms—Pershing and

BOK—for custody of customer funds and securities.

Schedule of Segregation Requirements and Funds in Segregation for Customers' Regulated Commodity Futures and Options Accounts

Segregation requirements		
Net ledger balance:	Φ.	
Cash	\$	_
Securities (at market)		_
Net unrealized loss in open futures contracts traded on a contract market		_
Exchange traded options:		
Add market value of open option contracts purchased on a contract market		-
Deduct market value of open option contracts granted (sold)		
on a contract market		
Net equity		_
Accounts liquidating to a deficit and accounts with debit balances -		
gross amount		_
Less amount offset against U.S. Treasury obligations owned by		
particular customers		
Amount required to be segregated	<u> </u>	
Funds on segregated accounts		
Deposited in segregated funds bank accounts:		
Cash	\$	_
		_
Securities representing investments of customer funds (at market)		
Securities representing investments of customer funds (at market) Securities held for particular customers or option customers		
Securities representing investments of customer funds (at market) Securities held for particular customers or option customers in lieu of cash (at market)		-
Securities held for particular customers or option customers in lieu of cash (at market)		· -
Securities held for particular customers or option customers in lieu of cash (at market) Net equities with other FCMS: Net liquidating equity		
Securities held for particular customers or option customers in lieu of cash (at market) Net equities with other FCMS: Net liquidating equity		
Securities held for particular customers or option customers in lieu of cash (at market) Net equities with other FCMS:		- - -
Securities held for particular customers or option customers in lieu of cash (at market) Net equities with other FCMS: Net liquidating equity Securities representing investments of customer funds (at market)		- - -
Securities held for particular customers or option customers in lieu of cash (at market) Net equities with other FCMS: Net liquidating equity Securities representing investments of customer funds (at market) Securities held for particular customers or option customers	<u></u> -	- - - -

Schedule of Segregation Requirements and Funds in Segregation for Customers' Regulated Commodity Futures and Options Accounts (continued)

Year Ended December 31, 2008

There are no material differences between the Company's computation included in this report and the corresponding schedule included in the Company's unaudited December 31, 2008, Part II FOCUS report.

Note: BOSC does not maintain custody of customer funds and securities. While it is a fully clearing broker/dealer, it currently uses two clearing broker/dealer firms—Pershing and BOK—for custody of customer funds and securities.

Supplementary Report



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Supplementary Report of Independent Registered Public Accounting Firm on Internal Control Required by SEC Rule 17a-5(g)(1)

The Board of Directors BOSC, Inc.

In planning and performing our audit of the financial statements of BOSC, Inc. (the "Company"), as of and for the year ended December 31, 2008, in accordance with auditing standards generally accepted in the United States, we considered its internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Also, as required by rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company, including consideration of control activities for safeguarding securities. This study included tests of compliance with such practices and procedures that we considered relevant to the objectives stated in rule 17a-5(g), in the following:

- 1. Making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under rule 17a-3(a)(11) and the reserve required by rule 15c3-3(e)
- 2. Making the quarterly securities examinations, counts, verifications and comparisons and the recordation of differences required by rule 17a-13
- Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System
- 4. Obtaining and maintaining physical possession or control of all fully paid and excess margin securities of customers as required by rule 15c3-3

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls, and of the practices and procedures referred to in the preceding paragraph, and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial



statements in conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control and the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first and second paragraphs and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control and control activities for safeguarding securities that we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures, as described in the second paragraph of this report, were adequate at December 31, 2008, to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, and other regulatory agencies that rely on rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers and is not intended to be and should not be used by anyone other than these specified parties.

February 24, 2009

END

Ernst + Young LLP